



STATE OF CALIFORNIA
FRANCHISE TAX BOARD 8
PO BOX 942840
SACRAMENTO CA 94240-5340

HEAD OF HOUSEHOLD AUDIT LETTER

We are reviewing your 2006 California income tax return to determine if you qualified to use the head of household filing status. The enclosed Audit, Contact, and Privacy Notices provides information about what to expect during the audit process, including your rights and your right to privacy.

To help us determine if you used the head of household filing status correctly, please complete the Head of Household Audit Questionnaire on pages 3 and 4 of this letter and return both pages to us by the **response due date** shown above. If you need more space to answer any of the questions, please use a separate sheet of paper and attach it to the audit questionnaire with your response.

To help you complete the Head of Household Audit Questionnaire, we are providing information about the Head of Household Requirements for 2006 on page 5 and the Head of Household Frequently Asked Questions on pages 6 through 8. For telephone assistance in completing the questionnaire, or to access head of household information on our Website, refer to the Head of Household Assistance Information on page 2.

If, after reviewing the information provided, you determine that you did not qualify for the head of household filing status, indicate on the questionnaire that you did not qualify.

To return your completed questionnaire, whether you qualified or not, please do **one** of the following by the **response due date**:

- Complete the audit questionnaire online. Go to our website at **www.ftb.ca.gov** and enter **HOH** in the search box to find the head of household page. Then use your social security number and the FTB ID found at the top of this letter to access your online questionnaire.
- Fax the questionnaire (pages 3 and 4) and any supporting information using the above fax number. Fax one copy of each page of the questionnaire. A fax cover sheet is not necessary.
- Mail us the questionnaire using the enclosed pre-addressed envelope. If you mail your response to an address other than the one on the enclosed envelope, it may increase the time it takes to process your information.

It is important that you respond by the **response due date** shown above. If you do not respond, we may do the following:

- Deny your head of household filing status.
- Assess additional tax.
- Impose a penalty of 25 percent of the additional tax.

Please keep a copy of your completed questionnaire for your records.

Thank you for your prompt attention to this matter.

HEAD OF HOUSEHOLD ASSISTANCE INFORMATION

To receive **automated telephone assistance** in completing the audit questionnaire or to order FTB Pub. 1540, *California Head of Household Filing Status* by telephone, please call:

From within the United States (800) 555-4005
From outside the United States (not toll-free)..... (916) 845-6600

To receive additional information about the head of household filing status, to complete the audit questionnaire online, or to download FTB Pub. 1540, *California Head of Household Filing Status*, please go to our Website at:

www.ftb.ca.gov

Our **Taxpayer Service Center** is also available to answer any questions you may have about the questionnaire or the head of household filing status.

From within the United States, call(800) 852-5711
From outside the United States, call (not toll-free).....(916) 845-6500

Website at: **www.ftb.ca.gov**

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

ASISTENCIA INFORMATIVA SOBRE EL ESTADO CIVIL DE CABEZA DE FAMILIA

Para recibir **asistencia telefónica automatizada** de como completar el cuestionario de auditoría electrónicamente, o para ordenar por teléfono la publicación FTB Pub. 1540, *California Head of Household Filing Status* en español, *FTB Pub. 1540SPAN, Información Sobre El Estado Civil Cabeza de Familia*, por favor llame:

Dentro de los Estados Unidos(800) 555-4005
Fuera de los Estados Unidos (número no gratuito)..... (916) 845-6600

Para recibir información adicional acerca del estado civil de cabeza de familia, o para completar electrónicamente el cuestionario de auditoría, o para obtener una copia electrónica de la publicación FTB Pub. 1540 en español, FTB Pub. 1540SPAN, *Información Sobre El Estado Civil Cabeza de Familia de California*, por favor visite nuestro sitio en la red electrónica a:

www.ftb.ca.gov

Nuestro **Centro de Servicio para el Contribuyente de Impuestos** (Taxpayer Services Center) también está disponible para contestar cualquier pregunta que usted tenga con respecto a esta carta o sobre el estado civil de cabeza de familia.

Dentro de los Estados Unidos llame al (800) 852-5711
Fuera de los Estados Unidos llame al (número no gratuito).. (916) 845-6500

Red electrónica: **www.ftb.ca.gov**

Asistencia para personas incapacitadas: Nosotros estamos en conformidad con el Acta de Americanos Incapacitados. Personas con problemas auditivos o de habla pueden llamar al TTY/TDD (800) 822-6268.



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FRANCHISE TAX BOARD 8
PO BOX 942840
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HEAD OF HOUSEHOLD AUDIT QUESTIONNAIRE

2006

Please provide the information requested below. See page 5 of this letter for head of household qualification requirements. If you need more space to answer any of the questions or to provide explanations for your answers, use a separate sheet of paper and include it with your response. **For information on what to expect during the audit process see the enclosed *Audit, Contact, and Privacy Notices*.**

(1) Check one box below to identify the relationship of the person you believe qualified you for the head of household filing status.

- ☐ Son, daughter, stepson, or stepdaughter.
- ☐ Grandchild, brother, sister, half-brother, half-sister, stepbrother, stepsister, nephew, or niece.
- ☐ Eligible foster child.
- ☐ Father or mother.
- ☐ Grandfather, grandmother, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, sister-in-law, uncle, or aunt.
- ☐ Other (please explain). _____
(You cannot claim yourself, your spouse, or your tax preparer.)

(2) Provide the social security number, name, and age of the qualifying person you indicated in question 1.

Social Security Number: -- Name: _____

Age in years as of 12/31/2006: If less than one year old, age in months:

(3) Was your qualifying person's gross income less than \$3,300 in 2006? ☐ Yes ☐ No

(4) Did you provide more than half the support for your qualifying person in 2006? ☐ Yes ☐ No

(5) Was your qualifying person in question 1 a full time student at a recognized educational institution for at least five months during 2006? ☐ Yes ☐ No

(6) Did the qualifying person live with you the entire year of 2006?☐ Yes. **Go to Question 8.**☐ No. List the beginning and ending dates of each period the qualifying person lived with you during 2006, **or** provide the total number of days the qualifying person lived with you during 2006 **and then** answer Question 7.From // To //**OR**From // To //Total number of days
(More than 12 hours each day)**(7) If your qualifying person did not live with you for the entire year during 2006, check one box below that best explains the main reason your qualifying person was absent from your home.**☐ Lived away at school ☐ Military Service ☐ Hospital/Convalescence ☐ Birth or Death☐ College ☐ Lived with other parent ☐ Moved out ☐ Other (please explain) _____**(8) If your qualifying person was a foster child, was the child placed with you by an authorized placement agency or by a judgment, decree, or other order of a court?**☐ Yes ☐ NoIf yes, what is the name of the placement agency or court that ordered the placement?
_____**(9) Was your qualifying person in Question 1 married as of December 31, 2006?**☐ Yes ☐ No

If yes, did this person file a joint federal tax return for 2006 with his or her spouse?

☐ Yes ☐ No**(10) Was your qualifying person a citizen of the U.S. or a resident of the U.S., Canada, or Mexico?**☐ Yes ☐ No**(11) As of December 31, 2006, were you single? For the purpose of this question, "single" means: never legally married, or widowed (spouse died before January 1, 2006), or received a final court decree of divorce or legal separation on or before December 31, 2006, or received a final court decree of annulment.**☐ Yes ☐ No**(12) If you were legally married during all or part of 2006, did you live with your spouse at any time during that year? You were legally married in 2006 if you did not receive a final court decree of divorce or legal separation on or before December 31, 2006, or did not receive a final court decree of annulment.**☐ Yes ☐ No ☐ Not Applicable

If yes, list beginning and ending dates of each period that you lived with your spouse during 2006.

From // To // From // To //

Please provide a telephone number and the best time we can reach you between 6:30 a.m. and 7 p.m. Monday through Friday, if we need more information.

Telephone number: --- Best time to call _____
(Area Code) (Number) (Extension)

I declare under penalty of perjury that the above statements are true and correct to the best of my knowledge and belief.

Signature _____ Date _____

HEAD OF HOUSEHOLD QUALIFICATION REQUIREMENTS FOR 2006

The law allowing this filing status has very specific rules. You must meet all of the following requirements:

1. You must have paid more than one-half the cost of keeping up a home that was, for more than one-half of the year, the main home for you and one of the specified qualifying persons described in the tables below.
2. Your qualifying person must have been a citizen or national of the U.S., or a resident of the U.S., Canada, or Mexico.
3. Your qualifying person must not have filed a joint federal return with his or her spouse.
4. On the last day of the year, you must meet the requirements to be either "unmarried" or "considered unmarried" as outlined in the tables below.

Qualification Requirements for Unmarried Taxpayers

Requirements	Qualifying Persons
<p>For head of household purposes, "unmarried" means one of the following:</p> <ul style="list-style-type: none"> • Never married. • Divorced under a final decree by December 31, 2006. • Legally separated under a final decree by December 31, 2006. • Marriage annulled under a final decree. • Widowed (Spouse died before January 1, 2006). 	<p>Your qualifying person must be one of the following:</p> <p>A. Your birth child, grandchild, stepchild, adopted child, eligible foster child*, brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendent of such an individual, who lived with you for more than half of 2006, who did not pay more than half of his or her own support during the year, and who:</p> <ol style="list-style-type: none"> 1. Did not attain the age of 19 by December 31, 2006, or 2. Was a full time student who did not attain the age of 24 by December 31, 2006. <p>B. Your birth child, grandchild, stepchild, adopted child, eligible foster child*, or descendant of such individual, brother, sister, half-brother, half-sister, stepbrother, stepsister, parent**, grandparent, stepparent, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law who lived with you for more than half of 2006; or your blood-related uncle, aunt, nephew, or niece who lived with you for more than half of 2006. In addition:</p> <ol style="list-style-type: none"> 1. You must have provided more than half of the individual's support for the year, and 2. The individual's gross income for the year must be less than the federal exemption amount for the year. <p>* To qualify as your eligible foster child, a child must be placed with you by an authorized placement agency or by a judgment, decree, or other order of a court of competent jurisdiction.</p> <p>** Your parent need not live with you; however, you must provide more than half the cost of keeping up the home in which your parent lived for all of 2006.</p>

Qualification Requirements for Taxpayers Who are Considered Unmarried

Requirements	Qualifying Persons
<p>For head of household purposes, "considered unmarried" means you were legally married on December 31, 2006, but you lived apart from your spouse at all times during the last six months of 2006.</p>	<p>Your qualifying person must be one of the following:</p> <p>A. Your birth child, stepchild, adopted child or eligible foster child* who lived with you for more than half of 2006, who did not pay more than half of his or her own support during the year, and who:</p> <ol style="list-style-type: none"> 1. Did not reach the age of 19 by December 31, 2006, or 2. Was a full time student who did not attain the age of 24 by December 31, 2006. <p>B. Your birth child, stepchild, adopted child, or eligible foster child* who lived with you for more than half of 2006. In addition:</p> <ol style="list-style-type: none"> 1. You must have provided more than half of the individual's support for the year, and 2. The individual's gross income for the year must be less than the federal exemption amount for the year. <p>* To qualify as your eligible foster child, a child must be placed with you by an authorized placement agency or by a judgment, decree, or other order of a court of competent jurisdiction.</p>



Head of Household Frequently Asked Questions

1. Q. What if I need more space to answer the questions on the audit questionnaire?

- A. If you need more space to answer any of the questions or to provide explanations for your answers, use a separate sheet of paper and include it with your response.

2. Q. Why do you want to know my marital status?

- A. Your marital status is a factor in determining if you qualify for the head of household filing status.

3. Q. Who is a qualifying person?

- A. A qualifying person is a relative, including an eligible foster child, who can qualify you for the head of household filing status. To determine which relatives can qualify you for the status, see the Head of Household Qualification Requirements for 2006 on page 5.

4. Q. I lived with my girlfriend and her child during the year. Can I consider the child as my stepchild or eligible foster child and claim the head of household filing status using the child as my qualifying person?

- A. No. Because you were never married to the child's parent, the child is not your stepchild, and the child cannot qualify you to use the head of household filing status. Beginning in 2005, only a child who is placed with you by an authorized placement agency or by judgment, decree, or another order of the court can qualify as your eligible foster child.

Your girlfriend's child cannot be your foster child and cannot qualify you for the head of household filing status. However, you may be eligible to claim a dependent exemption for the child if the child meets all the requirements. See *California Head of Household Filing Status* (FTB Pub. 1540) for more information on claiming a dependent exemption. To order FTB Pub. 1540 by telephone or to download FTB Pub. 1540, see our Head of Household Assistance Information on page 2.

5. Q. Can I claim my parent as my qualifying person for the head of household filing status?

- A. It depends. If you are married on the last day of the taxable year, you cannot claim your parent as your qualifying person, even if you did not live with your spouse during the last six months of the taxable year.

If you are single on the last day of the taxable year, you can claim your parent as your qualifying person if you are entitled to claim a dependent exemption for your parent and if you meet all of the qualification requirements. Your parent must be a citizen, resident or national of the United States, or a resident of Mexico or Canada. Your parent need not live with you as long as you paid more than half the cost of keeping up the home that was your parent's main home for the entire taxable year.

See *California Head of Household Filing Status* (FTB Pub. 1540) for more information. To order FTB Pub. 1540 by telephone or to download FTB Pub. 1540, see our Head of Household Assistance Information on page 2.

Head of Household Frequently Asked Questions

6. Q. Can my child qualify both parents for the head of household filing status?

- A. No. A child can qualify only one parent for the head of household filing status in a particular taxable year, and that parent must meet all the head of household requirements.
(See the Head of Household Qualification Requirements on page 5.)

7. Q. My spouse and I lived apart the entire year, but we are still legally married. My son lives with me. I meet the requirements to claim a dependent exemption for him, but I have signed an agreement allowing his other parent to claim the dependent exemption. Can I still use the head of household filing status?

- A. Yes. You can claim your son as your qualifying person if you otherwise meet all of the head of household requirements and the only reason you did not claim a dependent exemption for him was because you signed an agreement allowing the other parent to claim the dependent exemption.

8. Q. I am divorced. My ex-spouse and I lived apart and shared equal custody of our child, who lived with each of us for 50 percent of the taxable year. Can I claim the head of household filing status?

- A. No. To claim the head of household filing status, your child must have lived with you for **more than** 50 percent of the taxable year. However, you may qualify for the Credit for Joint Custody Head of Household. See the *California Resident Personal Income Tax Booklet* for 2005 to determine if you qualify for this credit.

9. Q. My spouse and I separated during the year. Our son lived with me after we separated. I want to use the head of household filing status. In figuring the number of days our son lived with me, can I count the time he lived with my spouse and me before we separated?

- A. If you and your spouse separated during the period January 1 to June 30 and you were still married at the end of the year, you can count only **half** of the time that you, your spouse, and your son lived together and all the time you and your son lived together without your spouse.

If you and your spouse separated during the period July 1 to December 31 and you were still married at the end of the year, you cannot qualify for head of household filing status because to be considered unmarried, you must have lived apart from your spouse at all times during the last six months of the year.

If you and your spouse separated during the year and you were divorced or legally separated by the end of the year, you can count **half** of the time that you, your spouse, and your son lived together and all the time you and your son lived together without your spouse.

10. Q. My spouse and I were separated from the beginning of 2006 until November of 2006, when we reconciled. Since we were separated for more than six months of the year, can I still file using the head of household filing status?

A. No. Because you were married on the last day of the year, you must live apart from your spouse for the **entire last six months** of the taxable year to qualify for the head of household filing status. Since you lived with your spouse during a part of the last six months of the taxable year, you do not qualify for the head of household filing status.

11. Q. Can I provide the head of household information when I file my tax return?

A. Yes. If you e-file your tax return and use the head of household filing status, you can provide the head of household information with your tax return by submitting the completed Schedule HOH/FTB 4803e at the time your return is filed. The Schedule HOH/FTB 4803e will allow us to determine if you qualify for the filing status without later having to issue you an audit letter.

To find out more about e-filing go to our Website at **www.ftb.ca.gov** or talk to your tax preparer, if you use one.

12. Q. Question 3 on the Head of Household Audit Questionnaire asks if my qualifying person's gross income was less than \$3,300 in 2006. My mother is my qualifying person. Her only income is \$6,000 of social security income. Is social security income counted as part of gross income?

A. Not in this case. Generally, gross income for head of household purposes only includes income that is taxable for federal income tax purposes. It does not include nontaxable income such as welfare benefits or the nontaxable portion of social security benefits. The law states that if half of social security benefits plus other income is \$25,000 or less, none of the social security income is taxable. In this case, you would not include your mother's social security income in the gross income amount for question 3. Get IRS Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*, if you need more information.

13. Q. If I qualified to use the head of household filing status in a previous year, why did the Franchise Tax Board send me an audit letter this year?

A. Each taxable year stands on its own. We cannot determine if the circumstances that qualified you for the head of household filing status in a previous taxable year remained the same or if they changed for taxable years that followed.



STATE OF CALIFORNIA
FRANCHISE TAX BOARD

AUDIT, CONTACT, AND PRIVACY NOTICES

AUDIT AND CONTACT NOTICE

What should you expect from our audit or contact?

- Courteous treatment by our employees.
- Clear and concise requests for information from the employee assigned to your case.
- Confidential treatment of any personal and financial information that you provide to us.
- Completion of the examination within a reasonable amount of time.

At the end of this process, we will tell you in writing that:

- We are accepting the return as you filed it, or
- You have additional tax due, or
- You have overpaid your tax and are entitled to a refund, or
- We have not changed your tax amount, but you may be entitled to a refund if you correctly recomputed your tax and file a claim for refund before the statute of limitations expires.

What else should you know about this audit or contact?

- It is to your benefit to respond to our requests for information both promptly and completely. If you do not do so, we may adjust your tax return and assess penalties for not furnishing the information we requested.
- You may represent yourself or have someone else represent you. You may designate a representative by completing a *Power of Attorney Declaration for the Franchise Tax Board* (FTB 3520). Your rights are fully explained in the *California Taxpayers' Bill of Rights* (FTB 4058).

If we propose any changes to your return, it is important that you understand the reason for the change. If you have any questions, contact the employee assigned to your case. The telephone number is in the letter that we sent with this notice.

To request forms you may:

- Visit our Internet Website at: **www.ftb.ca.gov**
- Phone (800) 338-0505; or
- Write to:
TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

FRANCHISE TAX BOARD PRIVACY NOTICE

The privacy of your income tax information is of the utmost importance to us.

Your Rights

You have a right to see our records that contain your personal information. We must tell you why we ask for your income tax information and to whom we may provide it. You also have the right to question the accuracy of the information contained within your file.

Your Responsibilities

If you meet certain income requirements, you must file a return on the forms we prescribe. When you file the return and related documents, you must include your social security number for identification and return processing. (R&TC Sections 18501, 18621, and 18624)

Reasons for Information Requests

We ask for return information so we can administer tax laws fairly and correctly. We may request additional information to resolve audit or collection issues. You must furnish all requested information.

Consequences of Noncompliance

We charge penalties and interest if you meet income requirements but do not file a return or provide the information we ask for, or if you provide fraudulent information. In certain cases, if you provide fraudulent information, we may pursue criminal prosecution. We may also disallow your claimed exemptions, exclusions, credits, deductions, or adjustments. This could increase your tax liability, or delay or reduce any refund.

Information Disclosure

We may disclose your tax information to:

- The Internal Revenue Service.
- Other states' income tax officials.
- The Multistate Tax Commission.
- Appropriate California government agencies and officials.
- Third parties, when necessary to determine or collect your tax liabilities.

If you owe us money, we can disclose the amount due to employers, financial institutions, county recorders, vacation trust funds, process agents, or others who may hold assets belonging to you.

Responsibility for the Records

The director of the Processing Services Bureau is responsible for maintaining Franchise Tax Board's records. You can obtain information about your records by:

Telephone: (800) 852-5711 within the United States
(916) 845-6500 outside of the United States (not toll-free)

Mail: DISCLOSURE SECTION MS A-181
FRANCHISE TAX BOARD
PO BOX 1468
SACRAMENTO CA 95812-1468